Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 6/10/1999

GAIN Report #AS9028

Australia

Wine

Wine Competition Annual

1999

Prepared by:
Randolph H. Zeitner
U.S. Embassy
Drafted by:
Scott Turner

Report Highlights:
Record wine grape production in 1998-99.
Premium wine grape acreage and production continues to increase.
Exports reach another record in 1997-98.
Imports increase in 1997-98.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Canberra [AS1], AS

Executive Summary

The increased production of winegrapes has resulted in a rapid increase in wine exports from 11 million liters in 1986-87 to 192 million liters in 1997-98.

Increased acreage will result in production increasing rapidly over the next five years. This should result in wine grape prices falling and will increase the amount of wine available for export.

Nearly all the increase in grape production will be in premium wine grape varieties. Production of premium white wine varieties is forecast to increase by around 15 percent between 1997-98 and 2000-2001 while production of premium red wine grape varieties is forecast to increase by around 79 percent during the same period.

Australia's major export markets for wine in recent years have been the United Kingdom, the United States, New Zealand, Canada, Japan, Sweden and Ireland.

Wine imports comprised seven percent of total wine sales during 1997-98 with table wine and sparkling wine being the major import categories.

Domestic wine sales increased by around five percent during 1997-98 and have increased by around 17 percent since 1992-93. The wine market is regarded as being mature and movements in the types of wine sold demonstrate changes in consumer preferences. Sales of table wine during 1997-98 increased by four percent to register another record. The increase in table wine sales was due to a seven percent rise in sales of red table wine and a two percent increase in white table wine sales. White wine sales account for more than two thirds of total table wine sales. Sales of red wine for the period 1985-86 and 1997-98 have more than doubled.

Reports indicate that the lower valued market segment, i.e. less than ten Australian dollars a bottle, has been under supplied due to Australian wine exports. The recent depreciation in the Australian dollar has made Australian exports more competitive.

Production

The Australian winegrape and wine industry has grown significantly in the last decade. It now comprises over 3000 independent grapegrowers and around 1000 wineries. While the majority of wineries are small, several large companies account for around 75 percent of production. The production of winegrapes has increased from 509,933 MT in 1985-86 to a record 1,070,000 MT during the 1998-99 year.

Production of premium wine grapes is also forecast to reach record levels. The 1998-99 season enjoyed a mixed season which included early frosts, hot and dry mid-season conditions, and a cool, wet end to the season. This resulted in lower than average yields in most regions. Premium red and white wine varieties are estimated to have increased by nine and four percent respectively when compared to the previous year. Production of multipurpose grapes for wine making is forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) to have decreased by around two percent over the same period. Industry sources indicate that they believe the production of multipurpose grapes has actually increased due to untimely rain which resulted in some of the crop being transferred from drying to wine production. The Australian Wine and Brandy Corporation (AWBC) indicates that grape production for the 1998-99 harvest will reach 1,070,000 MT, while ABARE is currently forecasting production at 990,000 MT. Post believes that the AWBC estimate is more up-to-date.

The increased production of winegrapes has resulted in a rapid increase in exports from 111,000 hectoliters in 1986-87 to 1,920,000 hectoliters in 1997-98. This volume represents 25 percent of wine production. Exports of bottled wine now rival domestic sales of bottled wine.

Australia's major export markets for wine in recent years have been the United Kingdom, the United States, New Zealand, Canada, Japan, Sweden and Ireland.

Wine imports comprised seven percent of total wine sales during 1997-98 with table wine and sparkling wine being the major import categories. This was up from four percent during 1996-97.

In 1996 the Australian wine industry launched a strategy which included a vision for annual sales of A$4.5 billion in 2025. To achieve this the industry needs to increase productivity and plant an extra 40,000 ha of new vineyards by 2022. This suggests annual planting rates of 1,500 ha. To date this has been exceeded with plantings in 1996, 1997, and 1998 estimated at 8,000, 9,000 and 8,000 hectares respectively.

Increased acreage will result in production increasing rapidly over the next five years. This should result in wine grape prices falling and will increase the amount of wine available for export.

There is no accurate measure of storage and processing capacity in the wine industry and, in recent years, there has been concern that the current expansionary phase in winegrape production may lead to a shortage of processing and storage infrastructure. The larger wineries are reported to have been increasing processing and storage capacity at an annual average of 15-25 percent per year for the past five years. If infrastructure investment lags production then the downward pressure on wine prices may be more severe than currently expected, as more grapes would be processed into bulk wine rather than branded wine. Growers without winery contracts, who produce low quality grapes, are more likely to feel the effects of any shortage of infrastructure.

Australian Wine Production	
(HL)	
1990/91	3,460
1991/92	4,220
1992/93	4,150
1993/94	5,310
1994/95	4,580
1995/96	6,060
1996/97	5,670
1997/98	6,950
1998/99 f	7,620

The above data includes total beverage wine. It does not include distillation wine which is used for the manufacture of brandy and grape spirit. The information in the above table was obtained from the Australian Winemakers' Federation (AWF). The 1998-99 forecast is a post estimate.

The breakdown of wine production by type is not available however ABARE provides the following table which details winegrape production by category.

PROJECTED WINE GRAPE PRODUCTION, BY CATEGORY				
(metric tons)				
	Estimated production	Projected production		
	1997/98	*1998/99*	*1999/00*	*2000/01*
White Wine Grapes				
Premium (a)	334,000	360,000	384,000	397,000
Non-premium (b)	39,000	33,000	36,000	37,000
TOTAL	373,000	393,000	420,000	434,000
Red Wine Grapes				
Premium (c)	242,000	320,000	381,000	433,000
Non-premium (d)	41,000	35,000	36,000	37,000
TOTAL	283,000	355,000	417,000	470,000
Multipurpose grapes for wine making (e)	204,000	199,000	193,000	190,000
Other (f)	35,000	44,000	46,000	50,000
Total grapes for wine making	899,000	990,000	1,077,000	1,144,000

Source: ABARE.
(a) Chardonnay, chenin blanc, colombard, muscadelle, riesling, sauvignon blanc, semillon, traminer and verdelho. (b) Crouchen, doradillo, frontignac, palomino and trebbiano. (c)cabernet franc, cabernet sauvignon, merlot, malbec, pinot noir ruby cabernet and shiraz. (d) Grenache and mataro. (e) Muscat gordo blanco and sultana.

The following ABARE table provides a graphic illustration of the forecast increase in the supply of grapes for wine making. Nearly all the increase in grape production will be in premium wine grape varieties. Production of premium white wine varieties is forecast to increase by around 16 percent between 1997-98 and 2000-2001 while production of premium red wine grape varieties is forecast to increase by around 79 percent during the same period. While post believes that ABARE numbers are very useful it believes that the AWBC estimate for 1998-99 winegrape production is more accurate at this stage.

PROJECTED WINE GRAPE PRODUCTION, BY VARIETY				
(metric tons)				
	Estimated production	Projected production		
	1997/98	*1998/99*	*1999/00*	*2000/01*
Premium white varieties				
Chardonnay	158,000	168,000	180,000	187,000
Chenin blanc	16,000	15,000	16,000	16,000
Colombard	31,000	34,000	38,000	41,000
Muscadelle	5,000	3,000	3,000	3,000
Riesling	37,000	35,000	36,000	36,000
Sauvignon blanc	20,000	20,000	22,000	22,000
Semillon	57,000	72,000	78,000	78,000
Traminer	7,000	7,000	7,000	7,000
Verdelho	4,000	5,000	6,000	7,000
TOTAL	334,000	360,000	384,000	397,000
Non-premium white varieties				
Crouchen	4,000	2,000	2,000	2,000
Doradillo	13,000	11,000	11,000	12,000
Palomino	8,000	5,000	5,000	5,000
Trebbiano	14,000	14,000	17,000	18,000
TOTAL	39,000	33,000	36,000	37,000
Premium red varieties				
Cabernet franc	5,000	5,000	5,000	6,000
Cabernet sauvignon	76,000	101,000	124,000	145,000
Malbec	3,000	4,000	4,000	4,000
Merlot	9,000	20,000	31,000	38,000
Ruby Cabernet	13,000	15,000	18,000	21,000

Pinot noir	14,000	17,000	17,000	18,000
Shiraz	123,000	157,000	182,000	201,000
TOTAL	242,000	320,000	381,000	433,000
Non-premium red varieties				
Grenache	31,000	26,000	26,000	27,000
Mataro	10,000	9,000	10,000	10,000
TOTAL	41,000	35,000	36,000	37,000
Specialist wine grapes				
TOTAL	656,000	748,000	837,000	904,000
Multipurpose varieties				
TOTAL	204,000	199,000	193,000	190,000
Minor red & white varieties				
TOTAL	35,000	44,000	46,000	50,000
TOTAL WINE GRAPES	899,000	990,000	1,077,000	1,144,000

Source: ABARE.
Note: Totals may not add due to rounding.

The major projected increases between 1997-98 and 2000-2001 in white wine varieties are in chardonnay (18 percent), semillon (37 percent), colombard (32 percent).

The major projected increases between 1997-98 and 2000-2001 in individual red wine varieties are in shiraz (63 percent), cabernet sauvignon (91 percent), merlot (322 percent), ruby cabernet (62 percent),and pinot noir (29 percent).

The production of non-premium wine grape varieties is forecast to marginally decrease over the same period.

Consumption

The following table lists domestic wine sales and imports for the years 1993/94 to 1997/98.

DOMESTIC WINE SALES & IMPORTS, BY TYPE					
(hL)					
	1993/94	***1994/95***	***1995/96***	***1996/97***	***1997/98***
DOMESTIC SALES OF AUSTRALIAN WINE					
Table wine	2,547,000	2,515,900	2,472,700	2,684,600	2,768,900
Dry red and rose	622,500	654,300	685,600	836,600	873,800
Dry white and sweet	1,924,600	1,861,600	1,787,100	1,848,000	1,895,100
Sparkling wine	306,000	280,000	301,500	320,600	310,700
Bottle-fermented	263,100	236,300	229,200	228,800	223,100
Bulk	42,900	43,700	72,300	91,800	87,600
Carbonated wine	35,300	34,300	30,900	34,300	31,700
Total unfortified wine	2,888,300	2,830,200	2,805,100	3,039,500	3,111,300
Sherry	103,400	101,100	96,70 0	90,100	83,600
Port	153,800	167,400	161,000	165,300	150,100
Other	13,000	1,500	1,000	900	12,000
Fortified wine	270,300	270,000	258,700	256,300	245,700
Other wine, inc. Vermouth	36,800	63,300	11,600	32,100	31,100
TOTAL	3,195,400	3,163,500	3,075,400	3,327,900	3,388,100
WINE IMPORTS					
Table wine	44,300	94,000	166,500	101,100	214,600
Sparkling wine	23,000	30,700	26,700	23,900	30,000
Fortified wine	1,500	2,700	1,100	1,100	1,400
Other	14,600	13,200	8,300	9,900	10,400
Total	83,400	140,600	202,600	135,900	256,300

Source: ABARE

Australian wine consumption has increased and become more sophisticated over the past three decades. The influx of migrants from countries where wine drinking was accepted practice helped increase consumption in the late 1960's. During the 1970's the introduction of the four liter wine cask helped accelerate growth, as did the mass marketing campaigns undertaken by large wine companies. The availability of new grape varieties in the late 1970's and early 1980's increased the range of wines available. An increase in the number and type of restaurants also helped boost wine consumption. These developments combined to help per capita consumption increase from six liters in the mid 1960's to around 20 liters at present.

While the aggregate level of sales has been relatively stable in recent years there have been significant compositional shifts in the market. The market share of cask wine has decreased and the share held by premium bottled wine has increased.

Domestic wine sales increased by around five percent during 1997-98 and have increased by around 17 percent since 1992-93. The wine market is regarded as being mature and movements in the types of wine sold demonstrate changes in consumer preferences. Sales of table wine during 1997-98 increased by three percent to register another record. The increase in table wine sales was due to a four percent rise in sales of red table wine and a three percent increase in white table wine sales. White wine sales account for more than two thirds of total table wine sales. Sales of red wine for the period 1985-86 and 1997-98 have more than doubled.

Sales of fortified wine, rose and vermouth for the period between 1985-86 and 1997-98 have decreased by 33, 44 and 67 percent respectively. Sparkling wine sales decreased by three percent during 1997-98, however sales have increased by seven percent for the period 1985-86 to 1997-98. The proportion of bottle fermented sales stands at around 72 percent.

A general trend has emerged whereby wine consumption is relatively flat with consumers paying higher prices for higher quality wine. This trend is expected to continue.

PER CAPITA CONSUMPTION OF WINE	
(Liters/head)	
1968/69	8.2
1978/79	14.7
1988/89	20.2
1990/91	17.7
1991/92	18.6
1992/93	18.2
1993/94	18.5
1994/95	18.2
1995/96	18.1
1996/97	18.7
1997/98	19.5
1998/99(f)	19.8

The above table indicates that wine consumption has modestly increased in recent years. Beer consumption has shown a steady decline, falling from around 136 liters in the mid 1970's to under 95 liters in 1997-98. Per capita consumption of spirits has remained steady over the same period.

The composition of wine consumption varies between different age groups. However it appears that of consumers judged to be regular wine drinkers more women drink wine than men.

White wine is more likely to be consumed by females than males with the reverse true for red wine.

It is estimated that 89 percent of those persons who drink wine consume wine mainly with a meal. Around 74 percent of wine drinkers consume wine at home while 21 consume wine at restaurants.

Prices

Winegrape prices during 1998-99 reflected the general supply and demand conditions for wine with prices for red wine grapes increasing and prices for white wine grapes falling. Indicative prices for Cabinet Sauvignon grapes increased by three percent while prices for Chardonnay grapes fell by seven percent. In the short to medium term the increase in premium winegrape supply is forecast to result in winegrape prices falling for all varieties, however, white winegrape varieties are forecast to suffer a sharper fall than red winegrape varieties.

Trade

Since the early 1980's production of Australian wine has increased by nearly 50 percent.

The increased production of premium winegrape varieties has helped increase exports from 11 million liters in 1986-87 to 192 million liters in 1996-97. Exports of bottled wine now rival sales of bottled wine on the domestic market.

Major export markets by volume for wine in recent years have been the United Kingdom (47 percent) , the United States (16 percent), New Zealand (11 percent), Canada (four percent), Japan (three percent), Ireland (two percent), Sweden (two percent), and Germany (two percent).

Similar to domestic sales, export sales of are being driven by sales of premium dry table wines. Dry table wines have consistently represented 90 percent of export wine sales.

Exports of premium bottled wines have been increasing in recent years at the expense of cask and bulk wine. Australian wine export sales have in the past been dominated by white wine sales. However, in recent years, red wine sales have been increasing at a faster rate than white wine. In 1997-98 red wine exports accounted for 46 percent of total Australian table wine exports and around 50 percent of bottled exports.

As production of premium winegrapes increases in the future the export of bulk wine may again increase in volume to clear the market, however the industry will pursue the continued promotion of bottled premium wine on export markets.

The value of wine exports continues to increase, reaching A$873.7 million in 1997-98, 45 percent higher than the previous year. The average value of these exports increased from A$3.91 in 1996-97 to A$4.54 in 1997-98. This reflects the lower value of the Australian dollar and the fact that the industry continues to penetrate higher value markets as Australian wine’s reputation grows in overseas markets.

Wine imports usually comprise less than five percent of the volume of domestic wine sales however during 1997-98 imports increased to seven percent. The increase was mainly due to a large increase in low value table wine imports from Spain. This wine was used to blend with domestic wine in containers larger than one liter, i.e. mainly cask and bulk wines. Demand for this wine resulted from a surge in exports of table wine which resulted in a shortage in supply of low value table wine. This situation was exacerbated by domestic producers selling more bottled table wine on the domestic market. The average value of imports fell 26 percent to A$3.63 during 1997-98.

Table wine represented 84 percent of 1997-98 imports with sparkling wine accounting for 12 percent.

While Spain ranked number one in volume terms, it ranked number four in value terms. France ranked number three in volume, but was number one in regards to value with an average price per liter of A$11.97, compared to Spain which averaged A$1.01 per liter.

Reports have indicated that the sharp increase in wine exports in recent years has resulted in a shortage in value for money market segment, i.e. less than ten Australian dollars a bottle.

EXPORTS BY DESTINATION						
(HL & A$'000)						
	1996		**1997**		**1998**	
	Volume	Value	Volume	Value	Volume	Value
White Wine						
United Kingdom	389,500	124,890	406,860	152,056	500,320	213,715
United States	89,700	42,827	129,680	65,752	159,890	89,713
New Zealand	87,410	14,705	123,820	17,897	118,120	17,405
Canada	31,200	12,695	33,240	13,149	33,900	15,687
Sweden	29,770	8,056	20,420	5,803	22,260	6,938
Ireland	18,640	6,728	19,310	7,793	22,210	11,444
Germany	16,160	3,886	15,070	5,510	18,110	6,946
Japan	10,380	4,354	13,700	5,950	18,700	8,453
Netherlands	8,420	3,227	9,840	4,019	9,860	4,168
Norway	8,410	2,208	8,380	2,353	5,870	2,356
Denmark	7,490	2,315	7,960	2,947	9,080	3,601
Other	59,740	21,677	74,210	28,885	89,610	27,323
Total	756,820	247,468	3,121,140	86,249	985,720	407,749

	1996		*1997*		*1998*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Red Wine						
United Kingdom	287,150	106,463	327,510	139,932	379,180	206,504
United States	94,350	51,046	127,920	80,094	168,130	126,287
New Zealand	55,060	19,461	66,570	25,440	74,120	29,479
Canada	27,120	14,142	31,780	17,436	39,820	24,698
Sweden	16,780	6,770	13,030	5,279	11,770	4,633
Ireland	16,730	6,920	18,660	8,871	24,900	14,993
Norway	16,660	5,517	18,110	6,268	15,190	6,069
Denmark	14,350	5,145	13,470	5,927	16,240	7,410
Germany	11,540	5,474	18,480	8,599	25,950	12,967
Thailand	9,090	3,921	3,640	1,507	2,030	819
Netherlands	8,880	4,088	10,110	5,215	15,620	8,094
Other	59,790	28,215	98,140	51,757	123,090	67,394
Total	617,510	257,163	747,420	356,325	896,040	509,347

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Rose Wine						
United Kingdom	2,200	690	2,150	830	2,650	1,204
Japan	620	189	810	264	860	292
New Caledonia	300	40	280	42	250	36
Hong Kong	270	150	20	9	10	6
Netherlands	240	35	270	47	620	210
Switzerland	210	59	-	-	240	29
U.A.E.	200	27	160	22	210	33
Thailand	170	30	40	6	10	3
Belgium	170	78	140	75	20	35
New Zealand	50	54	30	17	20	10
Other	150	46	830	277	1,020	282
Total	4,590	1,397	4,730	1,589	5,910	2,140

	1996		1997		1998	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Other Table Wine						
United Kingdom	2,140	1,085	1,320	977	1,280	1,224
Japan	1,100	1,171	820	959	810	654
Switzerland	580	588	1,050	1,068	1,030	1,120
Hong Kong	450	370	1,070	794	220	184
New Zealand	440	255	510	445	500	453
Singapore	400	479	400	677	360	457
United States	350	430	410	274	160	317
Canada	240	114	10	10	40	44
Thailand	140	85	110	117	60	28
China	110	147	620	219	60	16
Germany	100	147	280	104	20	14
Other	380	352	1,430	1,349	1,230	877
Total	6,420	5,223	8,030	6,993	5,860	5,388

	1996		1997		1998	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Champagne						
United Kingdom	35,000	14,561	33,080	15,050	32,640	19,175
New Zealand	5,620	2,786	5,310	2,701	8,900	4,395
United States	1,680	1,082	2,260	1,428	3,840	2,998
Canada	870	380	1,420	611	1,400	703
Hong Kong	650	365	330	200	380	221
Fiji	580	488	470	412	610	496
Ireland	540	161	380	138	560	315
Sweden	500	343	670	549	1,040	446
Singapore	490	272	370	206	280	144
U.A.E.	460	222	500	249	350	181
Japan	400	383	420	267	410	473
Other	2,930	1,747	2,760	1,639	3,230	1,755
Total	49,720	22,789	47,670	23,270	53,640	31,302

	1996		*1997*		*1998*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Other Sparkling Wine						
United Kingdom	3,970	2,127	2,870	1,431	1,190	786
Japan	2,880	974	1,730	950	2,720	1,157
Sweden	1,970	666	320	101	740	74
New Zealand	1,210	362	1,360	488	1,540	374
Hong Kong	1,110	555	980	701	270	183
Netherlands	770	293	10	18	130	13
Switzerland	420	283	560	2,450	200	139
Fiji	330	97	170	90	150	112
Thailand	310	92	50	16	20	5
Malaysia	300	218	230	121	340	34
United States	20	35	190	243	620	839
Other	1,130	587	2,070	1,182	680	984
Total	14,420	6,290	10,540	7,791	8,600	4,700

	1996		1997		1998	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Sherry						
United Kingdom	4,940	766	3,840	606	1,260	183
Canada	3,630	804	2,570	757	3,110	927
Japan	1,320	231	800	163	170	40
New Zealand	420	136	320	85	290	80
Thailand	18	13	9	3	520	110
United States	110	28	0	4	30	42
P.N.G.	90	22	180	44	150	39
Sri Lanka	40	17	30	11	120	31
Singapore	30	30	50	38	50	18
Fiji	30	12	40	18	20	8
U.A.E.	20	6	10	3	-	-
Other	272	165	291	213	50	58
Total	1,092	2,230	8,140	1,945	5,770	1,536

	1996		*1997*		*1998*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Other Dessert Wine						
United Kingdom	5,710	1,529	5,580	1,910	5,140	1,331
New Zealand	3,050	1,261	2,850	1,262	2,640	1,198
United States	2,580	1,864	4,040	3,532	3,720	3,865
Canada	1,270	376	1,540	564	1,680	653
Indonesia	900	243	00	2	0	2
Japan	570	448	480	379	570	445
Singapore	190	90	120	101	40	33
Netherlands	170	114	0	3	-	-
P.N.G.	170	94	180	109	170	98
Solomon Islands	170	54	120	40	50	19
Hong Kong	140	102	240	205	290	244
Other	880	629	930	868	840	591
Total	15,800	6,802	16,080	8,975	15,140	8,479

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Vermouth						
New Zealand	710	383	560	287	520	255
Malaysia	220	75	290	100	310	112
Singapore	150	99	110	41	150	69
Japan	80	340	30	29	0	1
U.A.E.	50	15	10	4	3	1
United Kingdom	40	20	-	-	1	27
Philippines	30	20	-	-	-	-
Netherlands	20	9	-	-	-	-
Indonesia	10	11	-	-	-	-
Hong Kong	10	7	130	60	0	2
Other	10	15	1,160	1,737	10	15
Total	1,320	993	2,290	2,258	990	482

	1996		1997		1998	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Total Wine						
United Kingdom	742,040	252,802	783,210	312,792	923,860	444,229
United States	190,820	98,650	265,600	153,012	336,390	224,069
New Zealand	154,240	39,520	201,340	48,629	206,650	53,652
Canada	64,840	28,742	70,600	32,560	80,160	42,817
Sweden	49,030	15,855	34,440	11,749	35,320	12,107
Ireland	35,970	13,855	38,430	16,897	47,830	26,918
Germany	28,060	9,694	34,450	14,655	44,360	20,088
Norway	25,210	7,814	26,900	8,784	21,200	8,521
Japan	24,210	11,563	28,570	14,031	63,800	32,784
Denmark	21,950	7,551	21,470	8,904	25,350	11,035
Netherlands	18,780	7,931	20,430	9,396	26,320	12,546
Other	136,750	58,901	182,170	90,142	165,980	82,321
Total	1,481,890	552,878	1,707,610	721,551	1,977,220	971,087

IMPORTS BY COUNTRY OF ORIGIN						
(HL & A$'000)						
	1996		*1997*		*1998*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Champagne						
France	8,070	18,960	9,840	26,197	8,650	25,822
New Zealand	800	493	1,380	883	1,530	997
Italy	430	179	400	174	800	327
Chile	-	-	594	152	690	217
Spain	1,575	781	194	58	120	69
Russia	10	11	-	-	2	2
Germany	10	7	10	8	20	13
Israel	10	2	10	2	10	8
Other	55	12	52	149	138	88
Total	10,960	20,445	12,480	27,623	11,960	27,543

	1996		1997		1998	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Sparkling Wine						
Italy	4,680	2,475	14,070	8,580	14,480	10,173
France	2,980	2,150	1,650	1,594	1,780	3,183
New Zealand	2,220	708	2,010	881	380	435
Germany	410	205	650	313	670	290
Spain	100	42	200	348	370	204
Netherlands	80	38	150	75	-	-
Israel	70	17	80	20	140	45
Hungary	30	3	-	-	10	3
United Kingdom	20	38	20	35	10	24
United States	20	13	50	42	40	43
Other	20	12	60	99	40	35
Total	10,610	5,701	18,940	11,987	17,920	14,435

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Table Wine						
Italy	46,310	12,758	45,700	11,915	38,170	12,261
New Zealand	8,670	4,676	14,060	8,330	18,090	11,275
France	5,820	5,156	17,950	10,159	20,530	14,841
Portugal	4,520	1,627	6,120	2,492	4,210	1,664
Germany	3,140	1,225	3,870	1,199	3,270	1,272
Chile	3,130	976	3,930	1,445	2,340	1,057
Greece	2,820	631	3,760	634	2,830	695
Spain	1,990	675	2,320	918	2,940	1,312
United States	1,200	609	860	648	860	712
Hungary	1,090	289	1,660	370	1,000	353
South Africa	900	397	1,030	480	930	417
Other	2,770	794	4,460	2,020	3,480	1,623
Total	82,350	29,813	105,740	40,609	98,650	47,482

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Sherry						
Spain	610	376	790	432	470	283
France	20	20	10	23	50	53
Romania	10	3	-	-	-	-
New Zealand	-	-	-	-	70	86
United Kingdom	-	-	9	7	30	16
Other	-	-	111	53	0	1
Total	650	399	920	508	620	439

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Other Dessert Wine						
Germany	0	0	0	0	80	28
Italy	260	128	80	37	60	31
Cyprus	120	58	80	33	-	-
Spain	40	13	50	12	30	24
New Zealand	40	19	0	1	0	1
France	30	40	10	14	10	27
Greece	-	-	-	-	60	33
Portugal	20	34	60	103	30	49
Other	20	11	60	54	40	59
Total	530	308	340	254	310	252

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Vermouth						
New Zealand	0	0	2,347	770	3,350	1,546
Italy	1,739	703	1,317	619	950	445
Greece	585	105	646	116	580	101
France	262	127	352	193	200	111
Croatia	11	2	13	3	30	10
Spain	-	-	0	0	130	28
Other	7	22	9	5	90	31
Total	2,604	959	4,684	1,706	5,330	2,272

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
Other Wine						
Spain	3	1	45,653	3,448	101,000	9,700
Argentina	9,740	437	220	16	-	-
Chile	7,320	868	2,230	361	200	109
New Zealand	6,930	2,121	6,050	1,858	2,760	1,326
Italy	3,830	896	4,830	1,085	3,540	1,119
France	380	249	730	288	1,140	487
Israel	350	116	850	186	790	287
South Africa	28	11	9	5	39,750	1,836
United States	260	113	480	228	430	199
United Kingdom	190	79	200	149	100	95
Cyprus	150	62	170	74	230	36
Other	5,759	258	3,058	358	1,190	388
Total	34,940	5,211	64,480	8,056	151,130	15,582

	1996		*1997*		*1998*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Total Imports						
Italy	57,070	17,007	66,580	22,468	57,920	24,310
New Zealand	18,660	8,017	25,850	12,721	26,180	15,666
France	17,560	26,703	30,550	38,468	32,350	44,523
Chile	10,450	1,844	6,760	1,959	3,240	1,391
Argentina	9,750	461	320	47	140	76
Uruguay	5,250	53	10	17	40,690	2,254
Portugal	4,590	1,672	6,200	2,609	4,240	1,715
Spain	4,330	1,894	49,210	5,217	105,070	11,621
Germany	3,830	1,543	4,570	1,562	4,130	1,648
Greece	3,450	746	4,620	803	3,980	973
United States	1,470	737	1,410	935	1,330	968
Other	6,050	2,032	11,610	3,961	6,670	2,845
Total	142,470	62,708	207,690	90,767	285,940	107,990

Stocks

The level of stock holding is regarded as typically around 10 to 15 percent of domestic sales. Stock levels reflect commercial judgements about the desirability of making wine requiring long maturation periods, the timing of the vintage compared to the end of the year under consideration, production levels, and the export market. The ABS reports that stock levels increased by around 10 percent during 1997-98 despite an increase in the total disposals of Australian wine (domestic plus export sales). The increase in stocks reflects an increase in wine production. Record production during 1998-99 is likely to result in a further increase in stock levels.

Policy

Under the 1994 Australia-EU Wine Agreement Australian and European wine producers agreed to protect each other's geographical indications and agreed on mutual recognition of wine making practices. This is reported to have reduced testing requirements for Australian wine. Negotiations are now centered finalizing key product descriptors and derogations from certain import certification requirements for Australian bulk wine, while reducing the policing of imports by some EU member states.

Australia is currently negotiating with the EU on the phase out-dates of semi-generic terms and the resolution of the level of protection for Traditional Expressions that serve as alternate names for wines currently employing semi-generic terms that are scheduled to be phased out. The Australian industry will meet with representatives from the EU in June 1999 in relation to the issues above.

Australia has held exploratory talks with the US industry in regard to the development of a Mutual Recognition Agreement regarding wine making practices in both countries. An MRA would increase confidence that Australia or the US would not challenge each other in regard to trade practices.

A "new world" wine group has been established which includes Australia, the US, Canada, New Zealand, South Africa, Chile, Argentina, Uruguay. The group aims to enhance the strategic exchange of information between the countries. This group will provide a forum for settling trade problems between the countries, and will work to provide a strategic position in negotiations/problems with the EU.

The industry is supportive of the current review of the operation of the OIV. The industry believes that with refinement the OIV could become a very useful organization and has the potential to become a standard reference body similar to CODEX.

Marketing

Foreign Market Development

United Kingdom

The UK continues to be the largest export market. The Australian Wine Bureau (AWB) maintained a high level of promotional activity at the trade and consumer level.

The majority of promotional activity involved wine tasting. Trade tastings included Australia day tastings in January 1998, which coincided with the Australian wine conference, and the London Wine Trade Fair held in May 1998. Consumer tastings were held throughout the UK.

The AWB targets wine drinkers with high disposable income and aims to increase the regular consumption of Australian wine in this group. Attention is also focused on the female wine drinker purchasing wine as a component of weekly grocery purchases. The AWB aims to increase the confidence of female shoppers in buying Australian wines and also to encourage them to move up the price scale.

United States

A joint venture agreement exists between the Australian wine industry and Austrade in New York. A generic promotional program has grown to include 44 companies and 119 brands of Australian wine. The AWB's efforts enable more than 17,000 consumers to sample Australian wine and provides 500 journalists and more than 2,000 members of the wine trade with insights into the Australian wine industry, and educational materials about Australian wines.

The industry sent 12 key retailers on a tour of Australia to visit vineyards and wineries.

Canada

Promotional activities in Canada continue to be conducted by the Eastern and Western Canada Importer Committees with the continued support of Austrade in Toronto and Vancouver in administering the program. Promotional activities included a 10 day “Aussie Road Show” with several Australian wineries participating in wine tastings held in Ottawa, Montreal, Halifax, and Toronto. Other activities included participation in four major wine shows and a tutored trade tasting in Ontario.

Scandinavia

The Scandinavian promotional program is directed by an Austrade representative in Stockholm and includes Sweden, Norway, Denmark and Finland. Promotions include tastings, wine and food fairs, and Australia Day promotions and tastings. A “wine flight” which involved trade and media representatives visited Australia during 1997-98.

Ireland

The AWB continues its presence in the market with a series of promotional activities, including tastings, the Irish Open Golf Tournament, and participation by Irish trade representatives and journalists in the Australia Day tastings in London. A program of bringing trade and media representatives to Australia has also continued.

Germany

Wine exports to Germany continue to be focused on the trade, with wine tastings in major cities, participation at ProWein 98 in Dusseldorf, and a “wine flight” visit to Australia comprising trade and media representatives.

Japan

Austrade Tokyo has continued to support the promotion of Australian wine. In March 1998 the AWB opened an office in the Austrade building in Tokyo. In recent years members of the trade and media representatives have visited Australia.

Market Profile

Production Policy

Production of grapes for wine making in Australia receive little Government assistance. Growers can write off against taxation commitments the cost of the acquisition and planting of vines over four years.

The government also provides funds on a dollar for dollar basis for research and development up to 0.5 percent of the gross value of production.

Commonwealth Government funds are channeled primarily through three organizations: the Commonwealth Scientific and Industrial Research Organization (CSIRO), part of which is used in its Division of Horticulture for grape research; the Grape and Wine Research and Development Corporation (GWRDC) whose expenditure on wine R&D in 1996-97 totaled A$2.9 million in 1997/98, half of which was Government contribution, and half from industry levies; and, the Cooperative Research Center for Viticulture (CRCV), which was established with commonwealth funds of about A$12.8 million over seven years, i.e. around A$2 million per annum, which ends on June 30, 1999. Government funding is supported by in house research conducted by the major wine companies.

The Commonwealth Government has agreed to extend funding for the CRCV for a further seven years i.e. from July 1, 1999 at a cost of A$13.6 million. This funding will come with more financial support from the wine industry and other stakeholders, such as State Governments and Universities.

Consumption

See Consumption section in the statistical section of this report.

Market Access

The Australian wine market does not have any quantitative restrictions or import licensing requirements on wine imports. From 1 July 1996 all wine and grape must imports attracts a five percent ad valorem import tariff.

Distribution

Australian wine production is extremely concentrated amongst producers. While 224 winemaking businesses crushed 50 MT or more of grapes during 1997-98 the 131 smallest crushed two percent, while the largest 10 crushed 68 percent of all grapes and produced 70 percent of beverage wine.

The wine export industry is dominated by large companies. It is widely accepted that the ten leading exporters account for over 85 percent of the value of all exports.

Government Support

The Government does not provide export subsidies for wine exports.

The Government provides A$200,000 under the Export Market Development Grant (EMDG) Scheme to assist export promotion. Applicants under this scheme may qualify for up to 50 percent reimbursement of eligible export marketing expenses to a maximum of A$200,000.

During 1997-98 the Australian Wine and Brandy Corporation (AWBC) spent A$3.4 million dollars on promotional expenditure. The majority of promotional expenditure is directed through the Australian Wine Export Council (AWEC) which is a committee of the AWBC. In 1992-93, its first full year of operation, the AWEC had an initial budget of A$4.7 million over five years, i.e. this is a total figure not a yearly figure. Of this A$250,000 was contributed by Austrade, A$1.5 million as a grant from the South Australian Government and A$1.5 million as a concessional loan from Austrade under the International Trade Enhancement Scheme (ITES). The ITES loan was converted to a grant as part of post 1993 budget negotiations between the industry and the Commonwealth Government. A sponsorship of A$500,000 was also received from a private company. This funding finished in the 1996-97. The industry instituted a levy under the Wine Export Charge Act 1997 on all Australian wine exported, for the purpose of funding the export promotional operations of the corporation.

From 1 July 1998 the rate of the levy is;

- 0.20 percent on the first A$10 million of FOB export sales, plus
- 0.10 percent on the next A$40 million of FOB export sales, plus
- 0.05 percent on the remaining FOB export sales.

Export promotion principally takes the form of wine tastings in the target market. Australian producers are encouraged to attend and display samples of their products to wine buyers and journalists. Overseas buyers have been brought to Australia to meet winemakers. This is far more cost effective for smaller winemakers.

Up until the 1997-98 year the AWBC utilized funding provided under the Small Winemaker Export Program (SWEP). This program aimed to help reduce some of the barriers to export faced by small scale producers. This assistance included the provision of expert advice in both Australia and export markets. It has included the development of regionally focused point of sale material which is viewed as important in increasing the awareness of the individual character of Australia's wine regions. The Federal Government provided funding of A$104,385 in 1995-96 and A$206,344 in 1996-97.

The AWBC International Trade and Technical Advisory Committee supports negotiations between the Australian Government and importing countries by providing advice on trade and technical issues. This committee negotiates with importing countries in regard to access and product standards.

The AWBC has a Wine Practices Committee which analyzes wine samples for chemical residues to ensure that wines sold are within Australian and international limits.

The AWBC has responsibility for ensuring the accurate description of grape products produced and sold in Australia. The objective of this function is to ensure the truth of statements made on wine labels about the vintage, variety and region of origin of wine manufactured in Australia. The Label Integrity Program (LIP) Committee of the AWBC has a full time Label Integrity Program Inspector who is assisted by two part time inspectors.

Export Regulations

The AWBC licenses all exporters of grape products. Regulations provide that licences may be granted by the Corporation for a period not exceeding three years. In granting licences the following prescribed matters are taken into consideration:

- the financial standing of the applicant;
- the applicants ability to obtain grape products from Australian suppliers;
- matters applicable to the person that relate to the promotion of the export of grape products, including matters that may affect adversely the export trade in grape products; and,
- whether the Corporation has canceled a licence held by the applicant.

Levy payers (winemakers) applying for an initial licence are licensed for a one year period, but upon application for renewal are licensed for a further three years. In contrast non levy payers (e.g. merchants) are, in either circumstance, licensed for a one year period only.

Licence holders are prohibited from exporting unless certain conditions prescribed in the regulations are complied with. These include requirements that:

- the exporter is a licensee; and
- the corporation has approved:
- (1) the purchaser of the product; or
- (2) the person to whom the product is consigned as an agent or representative of the purchaser, or the licensee, in the country to which the product is consigned; and
- the product is exported in accordance with any directions given to the licensee by the Corporation; and
- the grape product is sound and merchantable; and - the licensee has given the Corporation, or allowed the Corporation to take, any samples of the product reasonably required by the corporation for the purpose of determining the soundness and quality of the product; and
- the Corporation has issued an export certificate for the product.

To maintain the quality of Australian wine exports, the AWBC requires that all wines intended for export be subject to organoleptic evaluation by a panel of qualified inspectors. The samples lodged for evaluation must be labeled and accompanied by an analysis certificate, including a declaration that the wine complies Australian food law and, as appropriate, the law of the importing country. The inspectors (a technical specialist and a commercially oriented marketing expert) assess the soundness and merchantability of the product, and also check labeling.